

Technical Note
Gross Domestic Product, First Quarter 2002 (Final)
June 27, 2002

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; the note also provides some perspective on the estimates. Additional material will become available in the next several days; much of it will be posted to BEA's Web site <www.bea.gov>. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Real GDP (revised): Real GDP is now estimated to have increased 6.1 percent (annual rate) in the first quarter of 2002, 0.5 percentage point more than in the preliminary estimate; real GDP increased 1.7 percent in the fourth quarter of 2001. The 6.1-percent increase in real GDP is the strongest showing since the fourth quarter of 1999, when it increased 8.3 percent.

As in the preliminary estimate, the largest contributor to the increase in real GDP was inventory investment: Inventories were drawn down in the quarter, but a sharp slowdown in the pace of liquidation provided a boost to GDP growth.

Prices (revised): The chain-type price index for gross domestic purchases increased 1.1 percent in the first quarter, 0.3 percentage point more than in the preliminary estimate. The index increased 0.5 percent in the fourth quarter.

Corporate Profits (revised): Profits from current production increased 0.7 percent (quarterly rate) in the first quarter, 0.2-percentage point more than in the preliminary estimate, after increasing 17.9 percent in the fourth quarter of 2001. First-quarter profits were 4.8 percent higher than one year earlier. The current-production measure of profits differs from profits as they are reported in corporate financial statements. It excludes certain non-operating items, such as special charges and capital gains and losses, and it values depreciation of fixed assets and inventory withdrawals at current cost, rather than at historical cost.

Source of Revisions

The upward revision to first-quarter real GDP primarily reflected:

- o A downward revision to imports (which are subtracted in the calculation of GDP), reflecting the incorporation of revised source data on trade in goods and services from BEA's annual revision of the international transactions accounts (ITA's) released last week. The revised ITA data were incorporated on a "best-change" basis--that is, the changes in the revised source data from the fourth quarter of 2001 to the first quarter of 2002 are reflected in the estimates released today.

- o An upward revision to nonresidential fixed investment reflected the incorporation of revised Census Bureau data on manufacturers' shipments.

These revisions were partly offset by a downward revision to exports, which, like imports, reflected last week's annual revision to the ITA's.

Annual Revision Scheduled for July 31

The GDP news release on July 31 will present the regular annual revision of the national income and product accounts, covering the estimates from the first quarter of 1999 through the first quarter of 2002, as well as the advance estimates for the second quarter of 2002. The revision will incorporate source data that are more complete, more detailed, and otherwise more appropriate than those previously available and will introduce refinements to estimating methodologies.

The newly incorporated source data will include the following: Census Bureau monthly survey of construction and annual surveys of manufactures, of merchant wholesale and retail trade, of services, and of state and local governments; BEA international transactions accounts data; federal government budget data; Internal Revenue Service tabulations of tax returns for corporations and for sole proprietorships and partnerships; Bureau of Labor Statistics tabulations of wages and salaries of employees covered by state unemployment insurance; and Department of Agriculture farm statistics.

Among the refinements to estimating methodologies are the following:

- o A newly available producer price index for security brokers from the Bureau of Labor Statistics (BLS) will be incorporated into the estimates of brokerage services within personal consumption expenditures and exports.
- o A new revision schedule will be introduced for the estimates of wages and salaries. Under the new schedule, more comprehensive BLS quarterly source data will be incorporated into the wage and salary estimates approximately 6 months after the end of the reference quarter.

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